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SUBJECT: BRAZIL'S PRESIDENTIAL ELECTIONS: DILMA ROUSSEFF COMES UP
FAST BEHIND JOSE SERRA

REF: RIO DE JANEIRO 32

CLASSIFIED BY: Lisa Kubiske, Deputy Chief of Mission, State, Embassy
Brasilia; REASON: 1.4(B), (D)

11. (C) Summary. Late January polling indicates that likely Workers' Party (PT) presidential candidate Dilma Rousseff, President Lula's chosen successor, has closed much of the gap with front-running opposition Brazilian Social Democratic Party (PSDB) candidate Jose Serra, and now trails by less than ten points in a two-way race for October's election. The narrowing of the race was widely expected; the campaign now enters a zone where predictions are more difficult, as both Rousseff and Serra struggle to overcome public perceptions that have limited their respective voter preference ratings. Some observers see the latest polls as giving her an advantage, while others attribute the surge to hard campaigning by President Lula and suggest that his star power will not be sufficient to maintain the momentum once the intense glare of campaign TV reveals weaknesses in Rousseff's candidacy. Rousseff's rise has increased pressure on Serra to announce his candidacy and on Minas Gerais Governor Aecio Neves to accept a slot as Serra's VP running mate. Meanwhile, PT and its primary coalition partner the Brazilian Democratic Movement Party (PMDB) continue to argue about which party gets to run for which state and congressional races, excluding and alienating smaller coalition parties to the extent that PSDB may be able to recruit new allies from within coalition ranks. End summary.

State of Play: An Expected Rise, A Long Way to Go

12. (C) Two late January national polls - Vox Populi and CNT - yielded very similar results, indicating a slight decline in preference for Serra and a significant rise for Rousseff. The Vox Populi poll shows Serra beating Rousseff 34 to 27 percent with Brazilian Socialist Party (PSB) candidate Ciro Gomes included in the race, and 38 to 29 percent without him. In both categories, this represented a nearly 15-point net gain for Rousseff from December. CNT shows that Serra leading Rousseff by a slim 33 to 28 percent in a race with Gomes included, and a much wider 41 to 29 percent lead without him. In both polls Gomes slipped from the previous month's poll, falling from 17 to 11 percent, while Green Party (PV) candidate Marina Silva maintains ratings in the high single digits. Gomes is pulling slightly more votes from Serra than from Rousseff, while Silva's vote comes entirely at Rousseff's expense.

13. (C) These outcomes were not unexpected. As Sen. Sergio Zambiasi (Brazilian Labor Party (PTB)-Rio Grande do Sul) joked to poloff on February 2 about the polls, "Maybe the only surprise is that (Rousseff's rise) happened exactly when everybody thought." Lula's aggressive presentation of Rousseff as the centerpiece of domestic legislation (including pre-salt oil) and international negotiations (Copenhagen) has managed to boost her name recognition, in the process bringing home much of PT's natural electoral base. PT contacts are encouraged and confident but they also recognize that Rousseff's rise is only an early step in the process. Candido Vaccarezza (PT-Sao Paulo), leader of the governing coalition in the Chamber of Deputies, acknowledged to poloff that, due to Lula's strong advocacy, most of the low-hanging electoral fruit has already been picked for Rousseff. The challenge, he said, will be to get her to 40 percent - which he acknowledged would take some work. (Vaccarezza strongly supports Ciro Gomes as a third-party candidate in order to lower the threshold for Rousseff.)

Rousseff: The Start of Something Big or the Best She'll Get?

14. (C) Dilma Rousseff's rise in the polls creates a positive narrative for her heading into PT's national congress, to be held

in late February, where she is widely expected to announce her candidacy officially. Third-party observers offered divided opinion about how much higher Rousseff can rise from here. Two competing Brasilia-based analysts told us in the past week that the race now tips toward Rousseff, because the economy will continue to be strong and because at this point, she only needs the support of a small fraction of the 80 percent of the electorate who approve Lula's performance. Humberto Saccomandi, International News Editor of Valor Economico and political analyst Rafael Cortez of Tendencia Consultoria told Consulate General Sao Paulo much the same. Most of these analysts added, however, that Rousseff repels many with her uncharismatic performance on television and she still has to prove she can hold her own in debates and public appearances.

15. (C) Rousseff's harshest critics most often emphasize that television and public speaking will kill her candidacy. Journalist William Waack described to CG Sao Paulo a recent business forum in which Serra, Rousseff, Neves and Gomes all participated. According to Waack, Gomes was the strongest overall, Neves the most charismatic, Serra detached but clearly competent, and Rousseff the least coherent. Other critics take a more subtle tack, arguing somewhat counterintuitively that Brazil's desire for continuity after years of progress and prosperity actually benefits Serra, because he is seen by many as more likely to follow the economic path laid out by Cardoso and followed by Lula. Helio Gurovitz, News Director at Epoca magazine, described Brazil as similar to Chile, arguing that the social base of the country has developed to the extent that it would prefer to alternate parties in power in order to retain continuity, rather than keep one party in power long-term, thereby facilitating a hard shift to that party's side of the political spectrum. Others just see her as the wrong candidate at the wrong time. The Chiefs of Staff for Senators Osmar Dias (Democratic Labor Party (PDT)-Parana) and Alvaro Dias (PSDB-Parana) - who are brothers representing the same state but opposite sides of the political fence - met poloff together on February 5 and were united on one point: Rousseff will suffer among reachable voters because she is clearly not Lula.

16. (C) If Rousseff's personal lack of charisma were not enough of a worry, PT also is having problems keeping PMDB, its primary coalition partner and the largest party in Brazil, happy in the

state-level races, which may have adverse effects on Rousseff's campaign. PMDB has already committed itself to support Serra in Sao Paulo, the country's largest block of votes by far. PT-PMDB infighting also continues over which candidates to support in many other gubernatorial and legislative races, without signs of resolution in virtually every major state, including Minas Gerais, Rio de Janeiro, Bahia, Pernambuco, Parana, and Rio Grande do Sul. PT may have little choice other than to resolve most of these impasses by supporting PMDB candidates, leaving little space to support aspirants from smaller coalition parties. Sen. Zambiasi, whose PTB is one of those smaller parties, confirmed to poloff that his party, among others, has been offered very little from PT to stick with Rousseff in the 2010 campaign. While declaring himself a Lula supporter (he spoke diplomatically of Rousseff, who is from his home state), Zambiasi more-or-less confirmed local rumors that PTB is strongly leaning toward backing Serra, bringing the party's advertising time with them. He added that no decision would be made during the upcoming legislative session, adding that PTB is in no hurry to be "the first to jump off the roof."

Pressure Grows for Serra and Neves to Declare

¶7. (C) Serra meantime has maintained a relatively low national profile while PSDB surrogates such as ex-President Fernando Henrique Cardoso and Senator Sergio Guerra draw headlines for sniping with President Lula and the government. Rousseff's rise

has set off another round of speculation that Serra may decide to withdraw from the presidential race and run again for Governor of Sao Paulo. Presidential International Relations Advisor Marco Aurelio Garcia suggested as much in a February 8 meeting with the Ambassador, as has virtually every PT elected official in meetings with embassy officers over the past few months. While PT has an interest in pushing this line, it also comes from third-party sources and from Sao Paulo, including Valor Economico's Saccomandi. Others, including senior Sao Paulo-based PSDB contacts such as Mayor Kassab's Chief of Staff Clovis Carvalho and PSDB State Party President and Federal Deputy Antonio Carlos Mendes Thame, have told CG Sao Paulo officers that Serra will run. At this point, Serra is still not expected to announce his candidacy until March.

¶8. (C) Media speculation continues on the possibility of Minas Gerais Governor Aecio Neves joining the PSDB ticket as VP. Rio de Janeiro's O Globo reported recently that Neves is finding the pressure unhelpful in political management of his own state, where Neves is trying to shore up other state PSDB candidates, and where he continues to avow that he plans to run for Senate. Two PSDB staff sources in the Federal Senate also told poloff that Rousseff's rise is ratcheting up the pressure on Governor Aecio Neves to accept a slot as Serra's vice - a position Neves has previously indicated he does not want (reftel). Both see an Aecio vice-presidential nomination as an opportunity to regain momentum in the race, a vote-winner in Minas and surrounding states, and as the best possible vice presidential option in the quest to attract smaller parties from the governing coalition to PSDB's side. Interestingly, neither PSDB source considered himself a Neves fan. Both considered him to be more image than substance, easy for PT to attack for his lifestyle, and a poor potential substitute for Serra at the front of a presidential ticket. Former Cardoso Finance Minister and PSDB senior figure Pedro Malan told Rio Principal Officer February 5 that, while he believes Neves as VP candidate would strongly boost the PSDB's prospects for victory, it is now unclear to Malan whether Neves will ultimately take the decision to join Serra's ticket. "The calculus he has to make in terms of maintaining his influence and prestige in Minas Gerais over the long term and this upcoming election is more complex than some think," Malan said. As for Neves himself, it appears he hasn't entirely shut out the VP option: he told Rio Principal Officer on February 10 that, "Sometimes you have to give time to time-let's wait and see how things develop."

Comment: The Race Is About to Begin

¶9. (C) After months revving their engines, Brazil's two most likely presidential contenders are poised at the starting line, both standing at poll positions most analysts anticipated for them at this point. Rousseff's expected official announcement, planned for shortly after Carnaval (approximately February 20), will lead to yet another round of speculation on Serra's plans until the moment when Serra finally announces (or doesn't) in March, marking the de-facto start of the campaign. The race from that point forward becomes very difficult to predict, both because of measurable "x factors" such as the candidacies of Ciro Gomes and Marina Silva, and because of variables almost impossible to predict - such as the impact of Serra's as-of-yet-undefined campaign strategy or whether the PT's difficulties in holding its coalition together in state and congressional races will have any real effect on voter choices in October's presidential contest. At this point, assuming that Serra runs, Brazil's presidential race is the definition of a toss-up. End comment.

¶10. (U) This cable was coordinated with Consulates General Sao Paulo and Rio de Janeiro.
SHANNON